

**Transcript of Remarks by Senator Kent Conrad (D-ND) at
Press Conference on CBO's January 2004 Budget and Economic Outlook
January 26, 2004**

It really is a stunning day to see the biggest deficit in the history of the country by over \$100 billion. That's what this report by CBO tells us today. What's even more dramatic is the swing from the last year of the Clinton administration when we ran the biggest surplus in the history of our country to now under President Bush running the biggest deficit in the history of our country – a \$477 billion deficit, a truly stunning amount of money for fiscal 2004, according to the Congressional Budget Office.

If you wonder how that boils down in terms that are perhaps more understandable, this means that the country under President Bush's budget is spending \$900,000 per minute more than we're taking in – \$900,000 a minute.

This next chart shows the historical trend on deficits, and as you can see, we've gone from surpluses during the Clinton administration, to massive deficits, record deficits, the biggest in dollar terms in our nation's history.

In response to that, the administration has sometimes said, 'Well as a share of the national income these deficits are not that big.' Well, even looked at in that way, when you take out Social Security, you see that these deficits on an operating basis, are almost a record as well, the biggest since World War II with the exception of 1983.

And the deficits are not just near term. What's most alarming is that under the President's plan, the flow of red ink is as far as the eye can see, oceans of red ink. If one adjusts the CBO numbers for making the tax cuts permanent, which the President recommends, and for dealing with the alternative minimum tax, which all of us know will involve over 40 million Americans by 2013 if there is a failure to act, what one sees is the deficits are unending. And, although there is a slight improvement in the near term, they absolutely explode as we get toward the retirement of the baby boom generation. The leading edge of the baby boomers start retiring in 2008.

Now, where has the increase in spending occurred? You've heard a lot of talk about spending increasing, and indeed it has, and this is where the increases have occurred. Ninety-two percent of the increase in spending is in just three areas: defense; homeland security; aid to New York City, airline relief and international commitments. That's where the increase has occurred.

The President, interestingly enough, is focusing on what he describes as domestic spending and says he's going to restrain growth to one percent. Well, if you look at the last two years [and adjust for inflation], there's basically been a freeze in domestic spending...[D]efense has gone up 22 percent in the last two years, international, largely foreign aid, which has gone up 85 percent under this administration, and homeland security, which has gone up 9 percent.

So domestic spending, which he says he is now going to limit to one percent growth has already had almost no increase over the last two years. In addition, this part of spending is a very small part of overall spending. It is only 17 percent of federal spending that he's talking about restraining the growth. And as we can see, there's been virtually no growth in that area in any event. That's not the cause of the problem. So the President is not being serious about a plan to deal with this fiscal crisis.

Let's look at the next chart which shows what is happening on the revenue side of the equation, because this is truly startling. The deficits have exploded in large measure because revenues have gone through the floor. We now see revenues this year will be at the lowest level since 1950 as a percentage of our gross domestic product. You will recall when we were back here and taxes were at a high level historically as a percentage of gross domestic product, the President's answer was tax cuts. Now that they're at the lowest since 1950, his answer is more tax cuts. It doesn't matter what the question is, he's got the same answer.

You know, the President has talked about national security, and well that he should. He's talked about homeland security, which of course he should. He's talked about border security, which we all should. I hear very little talk from the President about fiscal security, which makes all the others possible. What we have heard from the President is that he has a plan that is going to supposedly reduce the deficit in half over the next five years. You know, we are already at record levels of deficit. Cutting it in half right before the baby boomers retire, when you have us on a course that explodes the deficits, really isn't meaningful. It's not serious. It's not responding to what the crisis is.

And if you look at the President's record, over and over his claims on the deficit have been wrong. In 2001, he told us, "[W]e can proceed with tax relief without fear of budget deficits..." He was wrong. In 2002, he told us, "[O]ur budget will run a deficit that will be small and short-term..." He was wrong. In 2003, he said, "Our current deficit...is not large by historical standards and is manageable..." He was wrong. Now he says, "[T]he deficit will be cut in half over the next five years..." Will he be wrong again? Well, I suspect he very well may be wrong again, but that really misses the point. The larger point is he has us on a fiscal course that is going to take us right over the cliff when the baby boomers retire. That is the most serious matter that is clear today.

And the implications of that are contained in a story in the *Washington Post* this morning, "Weak Dollar Helps U.S. Firms, for Now." In that story, there was a paragraph that I wanted to draw to your attention: "Currency traders fretting over that dependency," the dependency they're talking about is borrowed money, "have been selling dollars fast and buying euros furiously. The fear is that foreigners will tire of financing America's appetites. Foreign investors will dump U.S. assets, especially stocks and bonds, sending financial markets plummeting. Interest rates will shoot up to entice them back. Heavily indebted Americans will not be able to keep up with rising interest payments. Inflation, bankruptcies and economic malaise will follow."

That is the risk this President is running. It is utterly reckless the fiscal course this President has taken. It is utterly reckless.

Let's just conclude by showing what's already happened to the dollar in just the last two years in comparison to the Euro. You can see the dollar has declined almost 30 percent against the Euro in that time.

Look, one thing we know is the toxic effect of deficits don't occur immediately. You don't recognize the cancer immediately, but it is growing and it threatens the economic security of this country, just like cancer threatens the health of anyone who has it. That is the fact of what we see today with this CBO report. I hope very much that this President will get serious about what is a threat to this country's national security in a most fundamental way. That is a lack of fiscal responsibility.

I'd be happy to answer any questions.

Question: There's been more, particularly in the House, vocal opposition to these deficits from members of the GOP. Would you agree with that and can you characterize in each of your chambers, can you characterize how that opposition might manifest itself to address the President's budget?

Conrad Answer:

I would say Republicans in the Senate have been remarkably quiet. Those who built careers on saying they were for balanced budgets and even proposed Constitutional amendments have said little, in fact, have participated in writing budgets and writing appropriations bills, and writing tax bills that have led to this result. So, very few, and there are few exceptions, I point to Senator McCain, Senator Chafee and a few others, most Republicans have gone right along with this slide into fiscal disaster.

Question: How will Democrats do any better this year in alternatives you may propose in your various budget committees or on the floor without proposing revenue increases that may lay you open in an election year to charges by the Republicans that Democrats just want to raise taxes? How will you get the deficit down any more if you don't include a revenue component in your alternative.

Conrad Answer:

First of all, this is not the day for presenting an alternative. We have just received the Congressional Budget Office analysis of where we are. Now both of us will have to go to work on crafting alternatives.

Let me just say on the revenue side, as I indicated, we've got the lowest revenue since 1950. I believe one of the first places to look is to the tax gap – the difference between what is owed and what is being paid. That would achieve additional revenue without any tax increase. I don't think we should be looking to increase any taxes without first working to assure ourselves that those who owe pay. It's not fair to the vast majority of Americans who are paying what they

owe to have some companies and some individuals escape paying what they legitimately owe.

Question: When will Congress next have to deal with the debt ceiling issue and how would you see that debate shaping up?

Conrad Answer:

Sometime this summer, there are various estimates as to when this summer. I think that will be a very hot discussion because there is a failure to face up to what is facing this country.

Question: Follow up. Given the administration's ability to postpone that debate. If the first inkling of debt ceiling problem is this summer, really they're going to be able to push this past the election, don't you think?

Conrad Answer:

No, I don't think so. I don't think so at all. I think the American people are becoming more and more sensitized to the deficit and debt buildup in this country and how it threatens the economic security of the nation. You're seeing it in polling. You're seeing it in the campaigns. And I believe this is going to be a key issue as we get to the fall.

Thank you.